

RESOURCE DOCUMENT

Glossary of Trade-Related Terms

Workshop on Trade and Development



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Foreword

This glossary draws in part on the glossary maintained by Prof. Alan Deardorff on his home page at <http://www-personal.umich.edu/~alandear/glossary/> and the glossary in *Development, Trade and the WTO. A Handbook*, edited by Bernard Hoekman, Aaditya Mattoo, and Philip English, which is to be published in 2002 by the World Bank.

A

ACP. African, Caribbean and Pacific countries, a group of mostly former European colonies.

Actionable subsidy. A type of subsidy that is not prohibited under WTO rules but against which a member may respond by imposing a countervailing duty.

Administered protection. See *contingent protection*.

Ad valorem. An ad valorem duty (tariff, charge, and so on) is based on the value of the dutiable item and expressed in percentage terms. For example, a duty of 20 percent on the value of automobiles.

Advisory Centre on WTO Law. Entity based in Geneva that provides legal counseling on WTO law and dispute settlement to developing and transition countries that are WTO members on a subsidized basis, depending on the income level of the requesting government. Seventy-two WTO members are eligible to request assistance.

AGOA (African Growth and Opportunities Act). U.S. legislation providing duty-free access for a large number of products for 35 African economies.

Aggregate Measure of Support. Measure of the total support given to an activity as a result of policies such as production subsidies and market price support policies. Used in the WTO Agreement on Agriculture.

Antidumping. Trade policy used by importing governments to counteract dumping, for example by imposing duties or negotiating price increases.

Appellate Body. WTO body that hears appeals against the findings of dispute settlement panels.

ASYCUDA. Automated System for Customs Data. A computerized customs management system developed and implemented by UNCTAD which covers most foreign trade procedures and handles manifests and customs declarations, accounting procedures, transit and suspense procedures.

B

Binding. A formal commitment specifying maximum levels at which a GATT member's tariffs on a given product will be set. Tariff bindings provide a major element of stability to international trade by limiting large, unpredictable changes in tariff levels, because other GATT members may be entitled to *compensation* if a country raises a tariff above the *bound rate*. Many LDC members of

GATT have bound few of their tariffs and others retain considerable leeway to change tariffs at will by applying *ceiling bindings* at rates much higher than prevailing tariff levels.

Border Tax Adjustment. Fiscal measure compensating, in whole or in part, for the different treatment either between imports and similar domestic products or between exports and similar products sold on the domestic market. For example, refunds of domestic indirect taxes on goods destined for export; or changes on imports similar to the taxes levied on like domestic products. See also *duty drawback*.

C

Cairns Group. Coalition of developing and industrialized country exporters of agricultural commodities formed in the Uruguay Round to negotiate stronger multilateral disciplines on agricultural trade policies.

Capacity-building. In trade context, activities supported by the donor community aimed at strengthening the ability of stakeholders in developing countries to develop national trade policy, undertake analysis and identify their interests in international trade negotiations.

Cartel. Arrangement between firms to control a market; for example, to fix prices or limit competition between members of the cartel.

Ceiling binding. A large difference between a tariff that is actually applied and the level at which the tariff is bound in GATT (the “ceiling”).

C.I.F. Cost, insurance and freight. The cost of a good delivered to the importing country’s port.

CITES. Convention on International Trade in Endangered Species of Wild Fauna and Flora. Establishes rules for trading such species, up to and including a complete ban on all trade.

Codex Alimentarius Commission. Body responsible for compiling standards for the “food code”— an international set of standards, codes of practice, and guidelines and recommendations relating to food quality and safety, including codes governing hygienic processing practices, recommendations relating to compliance with standards, limits for pesticide residues, and guidelines for contaminants, food additives and veterinary drugs.

Compensatory adjustment. Measure taken, after withdrawing of a (tariff or other) concession, to compensate for such withdrawal (GATT Art. XXVIII).

Competition policy. Legislation and regulations designed to protect and stimulate competition in markets by outlawing anticompetitive business practices such as cartels, market sharing or price fixing.

Computable general equilibrium (CGE) models. Mathematical characterizations of the economy, used to predict the impact of policy changes taking into account both direct effects as well as indirect effects that work through labor and other markets.

Concertina approach. Method of reducing tariffs by lowering the highest rates first, then the next highest, etc.

Content, domestic or local. Rules establishing a minimum proportion (by value or volume) of a product that has must be domestically or locally produced to obtain a benefit (e.g., a tariff concession or permission to be offered for sale).

Contestability. A market is contestable if new suppliers can enter it easily. The threat of such entry is a discipline on the incumbent suppliers and can prevent prices from rising far above costs, because any excess profits will be rapidly followed by entry.

Contingent protection. Trade barriers that are imposed if certain circumstances (contingencies) are met. Examples include anti-dumping or countervailing duties (to offset subsidies) and safeguards. Also called administered protection.

Copyright. Instrument to protect the right of authors of original works (print, audio, video, film, software) from unauthorized copying and use. Generally for the life of the author, plus 50 years.

Cotonou Agreement. Partnership agreement between the EU and the ACP countries signed in June 2000 in Cotonou, Benin. Replaces the Lomé Convention. Its main objective is poverty reduction, “to be achieved through political dialogue, development aid and closer economic and trade cooperation.”

Counter trade. Form of barter committing the exporter to offset the value of his exports, in whole or in part, by imports from his trading partner. Also see *offset requirement*.

Countervailing duty. Duty levied on imports of goods that have benefited from production or export subsidies. The duty is intended to offset the effect of the subsidy.

Credit (for autonomous liberalization). Mechanism through which developing countries are granted recognition in WTO talks for unilateral liberalization of the trade regime that has occurred in the period before negotiations. Past efforts by developing countries to establish such a mechanism were not successful.

Customs duty. Charge levied on imports and listed in importing country’s tariff schedules. Duties may be specific or ad valorem or a combination of the two (ad valorem with a specific minimum, or the greater of the two).

Customs Union. A group of countries forming a single customs territory in which (1) tariffs and other barriers are eliminated on substantially all the trade between the constituent countries for products originating in these countries, and (2) there is a common external trade policy (common external tariff) that applies to nonmembers.

Customs valuation. Establishment, according to defined criteria, of the value of goods for the purpose of levying ad valorem customs duties on their importation.

D

Decoupling. Action to ensure that subsidies to producers (usually farmers) are unrelated to production so as to provide no incentive to increase production; in contrast, simple subsidies per unit of output tend to increase production.

Deep integration. Inter-governmental cooperation in designing and applying domestic policies such as taxes, health and safety regulations, and environmental standards. May involve either harmonization of policies or mutual recognition; generally occurs in the context of regional integration agreements.

Deficiency payment. Direct monetary payment by government to producers to compensate for the difference between the market price of a good and a higher guaranteed price for that good in the case of, say, low international commodity prices.

Degressivity. Mechanism to ensure that the application of a measure gradually becomes less severe over time. For example, a tariff set at 50 percent that is reduced by 10 percentage points each year and becomes zero in year 5.

Differential and more favorable treatment. See *Special and differential treatment* and *Enabling clause*.

Dispute Settlement Body. WTO body responsible for dealing with disputes between WTO members. Consists of all WTO members meeting to consider the reports of dispute settlement panels and the Appellate Body.

Doha. Capital of Qatar, on the Persian Gulf. It was a tiny village before oil production began in 1949. Population. 217,294. Location of the Fourth WTO Ministerial Conference and launching of the *Doha Development Agenda*.

Doha Development Agenda. Trade ministers from 142 countries met in Doha, Qatar for the Fourth Session WTO Ministerial Conference from 9-14 November 2001. The conference launched a new round of multilateral trade negotiations referred to as the Doha Development Agenda (or the Doha Development Round or the Doha Round). The key document that emerged from the meeting was a Ministerial Declaration that launched a new round of trade negotiations. The negotiations will cover services, agriculture, industrial tariffs, environment, implementation issues, intellectual property, dispute settlement and WTO rules. The Declaration seeks to develop consensus on rules for investment, competition policy, transparency in government procurement, and trade facilitation (the Singapore issues) but delays negotiations on these issues until after the Fifth WTO Ministerial Conference in 2003. It also includes a mandate to examine in the Work Program trade-related aspects of electronic commerce; small economies; the relationship of trade, debt, and finance; and transfer of technology. It emphasizes the

importance of providing technical and financial assistance to integrate developing and LDCs into the multilateral trading system. This focus on developing countries has led the Work Program for the new round to be called the “Doha Development Agenda.”

Domestic content. See *content*.

Dumping. A form of price discrimination by which the export price of the product exported from one country to another is less than the comparable price, in the ordinary course of trade—that is, including transport and related costs—for the like product when destined for consumption in the exporting country (GATT Art. VI). Also defined as sales below the estimated cost of production. The margin of dumping is the difference between the two prices.

Duty-drawback scheme. A duty drawback scheme (often administratively demanding) is a form of Border Tax Adjustment whereby the duties or taxes levied on imported goods are refunded, in whole or in part, when the goods are re-exported. The goal is to reduce the burden on exporters while maintaining tariffs for revenue or protective purposes. See also *temporary admission*.

E

Economic needs test. Measure requiring a demonstration that an import (of goods, but more usually, natural service providers) cannot be satisfied by local producers or service providers.

Effective rate of protection. A measure of the protection afforded by an import restriction calculated as a percentage of the value added in the product concerned. Takes into account the protection on output and the cost raising effects of protection on inputs.

Emergency action. See *Safeguard Action*.

Enabling Clause. 1979 GATT Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries. One of the so-called Framework agreements, it enables WTO members, notwithstanding the nondiscrimination requirements, to “accord differential and more favorable treatment to developing countries, without according such treatment to other contracting parties.” See also *Generalized System of Preferences*.

Escape clause. Clause in a legal text allowing temporary derogation from its provisions under certain specified emergency conditions. See also *Safeguard Action* (GATT Art. XIX.)

Euro. The European monetary unit. The basic unit of currency among participating European Union countries. Introduced in 1999 as an alternate denomination for noncash transactions, the euro is scheduled to replace the existing national units in these countries by 2002.

Europe Agreement. Free trade agreement between the EU and various Central and Eastern European countries.

Everything But Arms. A 2001 EU initiative to grant least developed countries duty- and quota-free access for their exports.

Exchange control. Restrictions imposed by a government or central bank over the holding, sale, or purchase of foreign exchange. Typically used when the exchange rate is fixed and the central bank is unable or unwilling to enforce the rate by exchange-market intervention.

Exhaustion. Policy stance of a country regarding parallel imports of goods protected under intellectual property rights. Under national exhaustion, rights end upon the first sale of the good within a nation, and right holders may prevent unauthorized imports of the goods concerned. Under international exhaustion, rights end upon the first sale anywhere in the world, after which parallel imports are permitted.

Export processing zone (EPZ). A designated area or region in which firms can import duty-free as long as the imports are used as inputs into the production of exports. Traditional EPZs are fenced-in industrial estates specializing in manufacturing for exports. Modern ones have flexible rules that may permit domestic sales upon payment of duties when leaving the zone. EPZs generally also provide a liberal regulatory environment for the firms involved as well as infrastructure services.

Export promotion. A strategy for economic development that emphasizes support for exports through removal of anti-export biases created by policy. May be associated with policies such as duty drawbacks, export subsidies, marketing support or matching grants for exporters.

Externality. Occurs when the action of one agent (person, firm, government) affects directly other agents, making them better or worse off. Beneficial effects are called positive externalities; harmful ones negative externalities.

F

Fast track. A procedure under which the U.S. Congress agrees to consider implementing legislation for international trade agreements on an “up or down” basis, that is, gives up its right to propose amendments. Now called Trade Promotion Authority.

Foreign trade zone. An area within a country where imported goods can be stored or processed without being subject to import duty. Also called a free zone, free port, or bonded warehouse. See also *export processing zone*.

Formula approach. Method of negotiating down tariffs or other barriers to trade by applying a general rule (formula). For example, a rule specifying that all tariffs are to be cut to a certain fraction of their initial level, or that an agreement should cover a certain proportion of economic activity (sectors).

Framework agreements. The GATT Agreements Relating to the Framework for the Conduct of International Trade, resulting from the Tokyo Round. (1) Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries (the Enabling Clause); (2) Declaration on Trade Measures Taken for Balance-of-Payments Purposes; (3) Safeguard Action for Development purposes; and (4) Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance.

Free on board (f.o.b.). The price of a traded good including its value and the costs associated with loading it on a ship or aircraft, but excluding international transportation (freight) costs, insurance and payments for other services involved in moving the good to the point of final consumption.

Free-trade area. A group of countries in which the tariffs and other barriers are eliminated on substantially all trade between them. Each member maintains its own external trade policy against nonmembers. Also called free trade agreement or free trade arrangement. Contrasts with Custom Union.

G

G-20. International forum of finance ministers and central bank governors representing 19 countries plus the EU. Created in 1999 by the G-7 to promote discussion, study, and review of policy issues among industrialized and emerging market countries to promote international financial stability. The Managing Director of the IMF, the President of the World Bank, and the Chairpersons of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank participate in G-20 deliberations.

G-24. Established in 1971, an inter-governmental group of 24 developing countries that has the objective to concert the position of the developing countries on monetary and development finance issues. The only formal developing country grouping within the IMF and World Bank. Meets twice a year, preceding the Spring and Fall meetings of the two institutions.

G-7. A group of seven major industrialized countries whose heads of state have met annually since 1976 in summit meetings to discuss economic and political issues. The seven are United States, Canada, Japan, Britain, France, Germany, and Italy.

G-77. A coalition of developing countries within the United Nations, established in 1964 at the end of the first session of UNCTAD, intended to articulate and promote the collective economic interests of its members and enhance their negotiating capacity. Originally with 77 members, it now (in 2002) has 133.

G-8. The G7 plus Russia, which have met as a full economic and political summit since 1998.

GATT. General Agreement on Tariffs and Trade. Major articles:

I General MFN requirement.

II	Tariff schedules (bindings).
III	National treatment.
IV	Special Provisions related to Cinematographic films
V	Freedom of transit of goods.
VI	Allows antidumping and countervailing duties. Superseded by the GATT 1994 Agreement on Antidumping, and the Agreement on Subsidies and Countervailing Measures.
VII	Requires that valuation of goods for customs purposes be based on actual value. Superseded by the GATT 1994 Agreement on the Implementation of Article VII.
VIII	Requires that fees connected with import and export formalities be cost-based.
IX	Reaffirms MFN for labeling requirements and calls for cooperation to prevent abuse of trade names.
X	Obligation to publish trade laws and regulations; complemented by the WTO's Trade Policy Review Mechanism and numerous notification requirements in specific WTO agreements.
XI	Requires the general elimination of quantitative restrictions.
XII	Permits trade restrictions if necessary to safeguard the balance of payments.
XIII	Requires that quotas be administered in a nondiscriminatory manner.
XVI	Established GATT 1947 rules on subsidies. Complemented by the WTO Agreement on Subsidies and Countervailing Measures.
XVII	Requires that state trading enterprises follow MFN.
XVIII	Allows developing countries to restrict trade to promote infant industries and to protect the balance-of-payments (imposing weaker conditionality than Article XII).
XIX	Allows for emergency action to restrict imports of particular products if these cause serious injury to the domestic industry. Complemented by the WTO Agreement on Safeguards.
XX	General exceptions provision—allows trade restrictions if necessary to attain non-economic objectives (health, safety).
XXI	Allows trade to be restricted if necessary for national security reasons.
XXII	Requires consultations between parties involved in trade disputes.
XXIII	GATT's main dispute settlement provision, providing for violation and non-violation complaints. Complemented by the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes.
XXIV	Sets out the conditions under which the formation of free trade areas or customs unions is permitted.

XXVIII	Allows for renegotiation of tariff concessions.
XXVIIIbis	Calls for periodic rounds of negotiations to reduce tariffs.
XXXIII	Allows for accession

Part IV Calls for more favorable and differential treatment of developing countries. Entered into force in June 1966.

GATS . General Agreement on Trade in Services. Major articles :

I	Definition. Trade in services covers all four modes of supply.
II	MFN obligation. Option to invoke exemptions on a one-time basis.
III	Notification and publication. Obligation to create an enquiry point.
IV	Increasing participation of developing countries. High income countries to take measures to facilitate trade of developing nations.
V	Economic integration. Allows for free trade and similar agreements.
VI	Allows for domestic regulation. Requirements concerning the design and implementation of service sector regulation, including in particular qualification requirements.
VII	Recognition of qualifications, standards and certification of suppliers.
VIII	Monopolies and exclusive suppliers. Requires that such entities abide by MFN and specific commitments (Articles XVI and XVII) and do not abuse their dominant position.
IX	Business practices. Recognition that business practices may restrict trade. Call for consultations between members on request.
XIV	General exceptions. Allows measures to achieve non-economic objectives.
XVI	Market access. Defines a set of policies that may only be used to restrict market access for a scheduled sector if they are listed in a member's specific commitments.
XVII	National treatment. Applies in a sector if a commitment to that effect is made and no limitations or exceptions are listed in a member's schedule.
XIX	Calls for successive negotiations to expand coverage of specific commitments (Articles XVI and XVII).

Generalized System of Preferences (GSP). The GSP is a system by which industrialized high-income countries grant preferential access to their markets to developing countries. Also called Generalized System of Trade Preferences.

Genetically modified organism (GMO). Through genetic engineering, DNA from different species can be combined to create completely new organisms called genetically modified

organisms, or GMOs. GMOs help to control pests and disease, to tolerate environmental stress, and to enhance food qualities, such as flavor, texture, shelf-life, and nutritional content.

Geographical indication. Measure aimed to protect the reputation for quality of goods originating in a particular geographic location by limiting the use of distinctive place names or regional appellations to goods actually produced in those locations.

Government procurement. Purchasing, leasing, rental, or hire purchasing by government entities or agencies.

Graduation. Concept linking the rights and obligations of a developing country to its level of development. Referred to in WTO Trade Policy Review Mechanism. Generally used in the context of GSP and similar types of preferential treatment of low income countries as a mechanism or set of criteria to determine when countries cease to be eligible for preferences.

Grandfather clause. A clause exempting signatories from certain treaty obligations for legislation or regulations that were adopted before accession to the treaty and that are inconsistent with the treaty.

Gray area measure. Measure whose conformity with contractual obligations is unclear. For example, voluntary export restraints under pre-WTO rules of the GATT.

Green room. Used to describe discussions in the WTO among a subset of countries, generally the major OECD members and a small number of developing countries.

GTAP. The Global Trade Analysis Project, based at Purdue University in the United States. It provides data and models for computable general equilibrium modeling.

H

Harmonized system (HS). Harmonized Commodity Description and Coding System. Nomenclature developed by the World Customs Organization for customs tariffs and international trade statistics.

HIPC. Highly Indebted Poor Countries Initiative. An agreement among official creditors to help the most heavily indebted countries to obtain debt relief.

I

Impairment. Damage to or weakening of, benefits accruing under contractual rights and obligations. (GATT Art. XXIII).

Import substitution. Theory of and approach to development that focuses on providing domestic substitutes for all imported manufactures via trade protection and various types of industrial policies.

Infant industry. Infant industry arguments suggest that new (non-traditional) industries must be protected from import competition while they are establishing themselves. This is a so-called 'second-best' argument in that it does not address the fundamental market failures that cause industries to fail to develop (such as financial market imperfections).

Integrated Framework (IF) for Trade-related Technical Assistance. Joint activity and donor-financed trust fund managed by six agencies (IMF, ITC, UNCTAD, UNDP, World Bank and WTO) to work with LDCs to undertake diagnostic studies aimed at assisting countries in identifying constraints to integration into the world economy and to provide follow-up trade-related technical and financial assistance.

Intra-industry trade. Trade in which a country both exports and imports goods that are classified to be in the same industry.

L

Labeling. Requirement, either mandatory or voluntary, to specify whether a product satisfies certain conditions relating to the process by which it was produced.

Least developed country (LDC). A country that satisfies a number of criteria established by the United Nations that together imply a very low level of economic development. As of 2002 the UN had classified 49 countries in the LDC group. Used in WTO Subsidies Agreement, where LDCs are granted differential treatment.

Licensing (of imports or exports). Practice requiring approval to be granted by the relevant government authority, or by a body designated by such authority, as a prior condition to importing or exporting.

- Automatic licensing. Where approval is freely granted (e.g., licensing for keeping statistical records).
- Nonautomatic licensing. Where approval is not freely granted. This may be used as a restriction itself, or it may be used to administer a quota. The license may be subject to certain conditions being met. For example, a requirement to export; the use to which the imported good is to be put; the purchase of a specified quantity of the domestically produced like product; or the availability on the domestic market of the domestically produced like product.
- Discretionary licensing. Nonautomatic licensing (see above).

Linking scheme. An import licensing requirement that forces an importer to purchase specified amounts of the same type of product from domestic producers before they can apply for import

licenses. An example is a two-tier quota allocation system for licenses in which obtaining a license to buy or sell on a market is linked to the amount bought or sold in a second market.

Local (or domestic) content requirements. See *content*.

Lomé Agreement. Agreement was between the EU and the ACP countries on trade concessions (GSP treatment), development aid and general cooperation. Replaced by the Cotonou Agreement in 2000.

M

MAI. Multilateral Agreement on Investment. Effort by the OECD in the late 1990s to establish a set of disciplines on investment-related disciplines. Negotiations failed and were suspended in 1998.

Market access. Refers to the conditions under which imports compete with domestically produced substitutes. These are determined by the extent to which foreign goods are confronted with discriminatory taxes and other regulations.

Matching grant. Subsidy that is conditional on a co-payment or contribution by an industry or enterprise.

Maximum (minimum) price system (for imports). Price(s) decreed by the authorities of the importing country and above (below) which price(s) imports may not enter the domestic market. Actual import prices below the decreed minimums trigger a protective action, such as the imposition of additional duties or of a quantitative restriction. Different terms are used in different countries and different sectors (e.g., basic import price, minimum import price, reference price, and trigger price).

Markup. A measure of the difference between unit price of a good and its marginal cost of production. In WTO terms sometimes used to indicate the extent to which an applied tariff exceeds the bound rate.

Mercantilism. An economic philosophy of the 16th and 17th centuries which held that international commerce should serve primarily to increase a country's financial wealth, especially of gold and foreign currency. To that end, exports are viewed as desirable and imports as undesirable unless they lead to even more exports. In the WTO, often used to describe the quid pro quo nature of bargaining over trade policies.

Mixing regulation. Describes two kinds of practices: (1) regulation specifying the proportion of domestically produced content in products offered for sale on the domestic market; (2) regulation specifying, for any imports of a given product, the quantity of a domestically produced like product that must be purchased by the importer.

Mode of supply. Term used in the GATS context to identify how a service is provided by a supplier to a buyer.

Most favored nation (MFN) principle. MFN is the normal, non-discriminatory, tariff charged on imports of a good. In commercial diplomacy, exporters seek MFN treatment – that is, the promise that they get treated as well as the most favored exporter. Called Normal Trade Relations in the U.S.

Multifiber Arrangement (MFA). Arrangement Regarding International Trade in Textiles. Negotiated as a temporary exception to the GATT in 1973. Regulates trade in certain textile products between signatories by means of negotiated bilateral quotas. Superseded by the WTO Agreement on Textiles and Clothing in 1995, which specifies that all quotas are to be abolished by 2005.

Mutual recognition. The acceptance by one country of another country's certification that a product has satisfied a product standard. Often based on formal agreements between countries if the standards are mandatory.

N

National treatment. Principle that foreign goods, services, and persons (investors), once they have entered a country and satisfied any formalities that are required, are treated in exactly the same way as national goods, services or persons. In particular, they face the same internal taxes and no additional restrictions.

Necessity test. Procedure to determine whether a policy restricting trade is necessary to achieve the objective that the measure is intended to attain.

Negative list. In an international agreement, a list of items, entities, products, etc. to which the agreement will not apply, the commitment being to apply the agreement to everything else. Contrasts with Positive List.

Nominal rate of protection. The proportion by which the (tariff-inclusive) internal price of an import exceeds the border or world price. See also *effective rate of protection*.

Noneconomic objective. Describes situations where a policy objective is other than the efficient allocation of resources. In the trade policy setting refers to the view that a restriction on imports may serve a purpose that goes beyond the restriction of trade itself. In general desired changes in output, consumption, etc. can be achieved at lower economic cost through other types of policies.

Nontariff barrier (NTB). A catch-all phrase describing barriers to international trade other than the tariffs – for example, quotas, licensing, voluntary export restraints.

Nontariff measure. Any government action with a potential effect on the value, volume, or direction of trade. Also see *nontariff barrier*.

Nonviolation. Procedure under WTO disputed settlement provisions under which a WTO member argues that actions by another member, even though allowed under WTO rules, nullify or impair benefits expected under the agreement.

Normal value. Price charged by an exporting firm in its home market. Used to compare with the price charged by the firm on an export market to determine if there is dumping. (GATT Art. VI). See also *dumping*.

Nullification. Negation of benefits accruing under the WTO as a result of actions taken by a member. See also *Dispute Settlement Body* and *Panel*.

O

Offset requirement. Requirement, stipulated by the authorities of the importing country, that exporters to that country compensate for their exports by, say, purchasing products of the importing country or investing in the importing country. Also see *counter trade*.

Orderly marketing arrangement. See *voluntary export restraint*.

Origin rule. Criterion for establishing the country of origin of a product. Often based on whether production (processing) leads to a change in tariff heading (classification) or on the level of value added in the country where the good was last processed.

P

Panel. In WTO, a group of three independent experts nominated by the WTO secretariat from a roster approved by members, and that is responsible for determining the validity of allegations brought by one WTO member against another claiming nullification or impairment of rights or obligations (that is, violation of WTO rules and disciplines).

Parallel imports. Trade that is made possible when a good that is protected under intellectual property provisions (patents, copyrights) is sold in different countries for different prices. A parallel import comprises arbitrage activity and occurs when traders import the good from a lower-price market into a higher-price country.

Para tariff. Charges on imports that act as a tariff but are not included in country's tariff schedule. Examples include a statistical tax, stamp fees, etc.

Partial equilibrium analysis. The study of one market in isolation, assuming that anything that happens in it does not materially affect any other market.

Patent. A right granted to its owner to exclude all others from making, selling, importing or using the product or process described in the patent for a fixed period of time, generally 20 years. To be patentable, inventions have to be novel, non-obvious, and be useful or have industrial applicability.

Phytosanitary Regulation. Pertaining to the health of plants. See *SPS Measure*.

Plurilateral agreement. In WTO, an agreement to which membership is voluntary, dealing with an issue that is not covered by the WTO. In 2002 there were two plurilateral agreements—on civil aircraft policies and government procurement.

Positive list. In an international agreement, a list of those items, entities, products, etc. to which the agreement will apply, with no commitment to apply the agreement to anything else.

PPM. Production and processing method. Used where trade policy action by a country is motivated by a desire to ensure that imports have been produced in a way that satisfies a national or international production or process norm. Often these norms will be environmental in nature.

Poverty reduction strategy paper (PRSP). Document describing a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and IMF, and provide the basis for concessional lending and debt relief under the enhanced HIPC initiative.

Precautionary principle. Policy under which measures are motivated by the possibility that use of certain technologies (e.g., biotechnology, genetically modified organisms, pesticides) could be harmful to human or animal health and safety or the environment, although there is no certainty to that effect.

Predatory pricing. Action by a firm to lower prices so much that rival firms are driven out of business, after which the firm raises prices again to exploit the resulting monopoly power.

Preference. Preferential treatment. In GATT terms, this represents a derogation, in the sense of treatment that is more favorable than MFN. See also *Generalized System of Preferences* and *special and differential treatment*.

Preshipment inspection. Mechanism under which goods are inspected and certified in the country of origin by specialized inspection agencies or firms. Often used by importing governments to combat over- or under-invoicing of imports by having the value of consignments determined by independent, foreign entities.

PRSP. See *poverty reduction strategy paper*.

Price discrimination. The practice of charging different customers different prices for the same good in order to exploit their different degrees of enthusiasm for it (e.g., lower off-peak fares exploit workers' need to travel in the rush hour, while allowing less urgent personal travel to take place at other times). When this occurs internationally and the lower price is charged for export, it is called dumping.

Price undertaking. Commitment by an exporter to either raise prices or reduce sales in a market as a way of settling an antidumping suit brought by import-competing domestic firms. Generally has an effect analogous to a quota.

Principal-supplier rule. Rule, in bilateral negotiating procedures, according to which an import concession on a specific product is to be negotiated only with the country that is actually or potentially the principal supplier of that product. Note that the WTO MFN rule requires that the concession be extended to all other members.

Prisoner's dilemma. A situation where agents with perfect information that act rationally (i.e. pursue their "selfish" best interests) are confronted with a set of payoffs (or rewards) in which not cooperating is the dominant strategy, even though cooperation would in principle increase their joint payoffs.

Producer support estimate. A measure of the aggregate value of the gross transfers from consumers and taxpayers to farmers due to policy measures. Also called producer subsidy equivalent.

Protocol of Accession. Legal document recording the conditions and obligations under which a country accedes to an international agreement or organization.

Q

Quad. Refers to the participants in the Quadrilateral meetings (i.e., Canada, the EU, Japan and the U.S.).

Quantitative restriction or quota. Measure restricting the quantity of a good imported (or exported). Quantitative restrictions include quotas, nonautomatic licensing, mixing regulations, voluntary export restraints, and prohibitions or embargoes.

- Global Quota specifies the total volume or value of the product to be imported (exported) regardless of the country or countries of origin (destination).
- Bilateral quota is applied to imports from (exports to) a specific country.
- Quota by country not only specifies the total volume or value of the product to be imported (exported), but also allocates the trade between the various countries of origin (destination).

Quota rent. The economic rent received by the holder of a right to import under a quota. Equals the domestic price of the imported good, net of any tariff, minus the world price, times the quantity of imports.

R

Real exchange rate. The nominal exchange rate adjusted for inflation. Unlike most other real variables, this adjustment requires accounting for price levels in two currencies. The real exchange rate is $R = EP^*/P$ where E is the nominal domestic-currency price of foreign currency, P is the domestic price level, and P^* is the foreign price level. Equivalent to the real price of foreign goods; i.e., the quantity of domestic goods needed to purchase a unit of foreign goods. Also defined as the relative price of traded goods in terms of non-traded goods.

Reference price. See *maximum/minimum price system*.

Remedy. Legal term to describe a measure recommended by a WTO dispute settlement panel that aims to bring the policies of a member found to have violated WTO rules or disciplines into compliance with its obligations.

Rent-seeking. Refers to activities that use resources to obtain incomes through transfers but which do not increase national income. Such activities result in an extra cost to society (the loss of income from the diversion of resources away from productive towards rent-seeking activities) beyond the distortionary costs associated with measures that give rise to the rents.

Request-offer procedure. Negotiating procedure based on the tabling, by each party, of a list of concessions requested of other parties, followed by an offer list of the concessions that could be granted if its request were met.

Restrictive business practice. Practice of business enterprises to limit access to markets and restrain competition (such as the formation of a cartel).

Retaliation. Imposition of a trade barrier in response to another country increasing its level of trade restrictions.

Revealed comparative advantage (RCA). The ratio of a country's exports of a good to the world's exports of that good divided by that country's share of exports of manufactures in the world exports of manufactures. The index for country i good j is $RCA_{ij} = 100(X_{ij} / X_{wj}) / (X_{it} / X_{wt})$ where X_{ab} is exports by country a (w =world) of good b (t =total for all goods). A value of the index above (below) one, is interpreted as a revealed comparative advantage (comparative disadvantage) for the good.

Rollback. The phasing out of measures inconsistent with the provisions of an agreement.

Round. In WTO context, a multilateral trade negotiation. There have been 8 rounds. Geneva (1947), Annecy (1949), Torquay (1950-1), Geneva (1955-6), Dillon (1960-1), Kennedy (1963-7), Tokyo (1973-9) and Uruguay (1986-94). A ninth multilateral negotiation was launched in Doha, Qatar at the end of 2001.

Rule of Origin. See *Origin Rule*.

S

Safeguard action. Emergency protection to safeguard domestic producers of a specific good from an unforeseen surge in imports (GATT Art. XIX), to protect a country's external financial position and balance-of-payments (GATT Art. XII, XVIII:B), or to protect an infant industry in a developing country (GATT Art. XVIII:A or C). See also *escape clause*

Sanitary and Phytosanitary (SPS) Measure. A technical requirement specifying criteria to ensure food safety and animal and plant health. Many international SPS standards are set by the FAO/WHO. See also *Codex Alimentarius Commission*.

Second-best argument (for protection). Any argument for protection that can be countered by pointing to a less costly policy that would achieve the same desired result. Also refers to rationales for protection to partially correct a distortion in the economy when the first-best policy for that purpose is not available. For example, if domestic production generates a positive externality and a production subsidy to internalize it is not available, then a tariff may be second-best optimal.

Selectivity. Application of a rule, regulation, or trade action on a discriminatory basis to certain countries.

Shallow integration. Reduction or elimination of border barriers to trade. Contrasts with Deep Integration.

Special and differential treatment. The principle in WTO that developing countries be accorded special privileges, either exempting them from some WTO rules or granting them preferential treatment in the application of WTO rules.

Special drawing right. International payment facility administered by the IMF. Also used as an international unit of accounting, defined in terms of the five most important national currencies in international trade.

Special Safeguard. In the WTO Agreement on Agriculture, a protectionist measure that can be triggered automatically by a decline in prices or an increase in imports.

Specific commitment. Under the GATS, technical term describing the commitments made by WTO members on national treatment and market access for service sectors.

Specific tariff. A specific duty (tariff, import tax) expressed in terms of a fixed amount per unit of the dutiable item. For example, \$1,000 on each imported vehicle or \$50 on each ton of wheat.

Specificity. A policy measure that applies to one or a subset of enterprises or industries as opposed to all industries.

SPS. See *Sanitary and Phytosanitary Measure*.

Standard. Rule, regulation or procedure specifying characteristics that must be met by a product (such as dimensions, quality, performance, or safety). When these put foreign producers at a disadvantage, they may constitute a nontariff barrier. See also *Technical barrier to trade*.

State trading. Trade by a government agency or enterprise or by an enterprise to which the government has granted exclusive or special privileges in respect of international trade. State trading does not necessarily involve a monopoly or quantitative restriction of trade and does not require state ownership (GATT Art. XVII).

Standstill. A commitment not to take any new trade restrictive or distorting measure.

Strategic trade policy. The use of trade policies to alter the outcome of international competition in a country's favor, usually by allowing its firms to capture a larger share of industry profits.

Structural adjustment. Process of reallocating resources and changing the structure of production and employment of a national economy to reflect changing economic policies or trading conditions.

Subsidy. Assistance granted by government to the production, manufacture or export of specific goods, and taking the form either of direct payments, such as grants or loans (also see *Bounty*), or of measures having equivalent effect, such as guarantees, operational or support services or facilities, and fiscal incentives.

Sunset clause. Provision in a legal instrument limiting the duration of validity of a particular measure or policy.

T

Tariff. See *Customs duty*.

Tariff binding. In GATT context, commitment by countries not to raise particular tariff items above a specific or bound level. Also referred to as ceiling bindings. The so-called schedule of tariff concessions of each WTO member is annexed to its Protocol of Accession. See also *ceiling binding*.

Tariff equivalent. Measure of the protective effect of an NTB—the tariff that would have the same effect on imports as the NTB.

Tariff escalation. Occurs if the tariff increases as a good becomes more processed. Escalation discourages imports of more processed varieties of the good (discouraging foreign processing activity) and offers domestic processors positive levels of effective protection. For example, low duties on tomatoes, higher duties on tomato paste, and yet higher duties on tomato ketchup.

Tariff peaks. Tariffs that are particularly high, often defined as rates that exceed the average nominal tariff by a factor of more than three.

Tariff-rate quotas (TRQ). Measure under which a good is subject to a MFN tariff, but a certain quantity (the 'quota') is admitted at a lower, sometimes zero, tariff. TRQs are mainly applied to agricultural trade and can be seasonal.

Tariffication. Procedure of converting NTBs into their tariff equivalents. In the Uruguay Round, all developed countries' agricultural NTBs were tariffed and bound.

Technical barrier to trade. Trade restrictive effect arising from the application of technical regulations or standards such as testing requirements, labeling requirements, packaging requirements, marketing standards, certification requirements, origin marking requirements, health and safety regulations, and sanitary and phytosanitary regulations.

Technical regulation. A mandatory requirement or standard specifying the characteristics that an imported product must meet. Usually aimed to protect public health or safety. See *technical barrier to trade*.

Temporary admission. Customs regime under which firms may import intermediates duty free if use in export production, and are required to document ex post that imports have been used for this purpose. See also *duty drawback*.

Terms of trade. The price of a country's exports relative to the price of its imports.

Total factor productivity (TFP). A measure of the output of an industry or economy relative to its inputs. The term and its acronym often refers to the growth of this measure.

Trade capacity. The supply-side ability (capacity) of a country to benefit from the opportunities offered by the world market and MFN or preferential access to markets.

Trade creation. Occurs when liberalization results in imports displacing less efficient local production and/or expanding consumption that was previously thwarted by artificially high prices due to protection.

Trade diversion. Occurs when a trade reform discriminates between different trading partners and a less efficient (higher cost) source displaces a more efficient (lower cost) one. Can arise whenever some preferred suppliers are freed from barriers but others are not.

Trade integration. Process of reducing barriers to trade and increasing participation in the international economy through trade. Also used to describe efforts to integrate trade policy and strengthening of trade-related institutions into a country's overall development strategy.

Trade policy review mechanism. WTO mechanism for periodic review of the trade policies and practices of members.

Trade promotion authority. See *fast track*.

Trade-related Investment Measure (TRIM). Policy used by governments to influence the operations of foreign investors by establishing specific performance standards relating to trade. Examples are export performance requirements and local content rules (mandating that investors use a certain proportion of domestic inputs in their production).

Trade-related technical assistance. Services financed and/or provided by donors and development agencies to strengthen trade-related institutions and build trade capacity in developing countries. See also *Integrated Framework*.

Trademark. Distinctive mark or name to identify a product, service or company.

Transaction value. Used for customs valuation purposes—the price of a good actually paid or payable.

Transparency. Clarity, openness, predictability and comprehensibility (used in regard to individual trade-related regulations and operation of institutions).

Trigger price. See *maximum/minimum price system*.

TRIMs. See *trade-related investment measure*.

TRIPs. Trade-related intellectual property rights. In WTO, used as an acronym for the Agreement on Trade-Related Aspects of Intellectual Property Rights.

TRTA. See *trade-related technical assistance*.

U

UPOV. International Union for the Protection of New Varieties of Plants. Seeks to ensure that signatories acknowledge the achievements of breeders of new plant varieties by making available to them an exclusive property right, on the basis of a set of uniform and clearly defined principles. Based in Geneva.

V

Value added. The value of output minus the value of all inputs used in production. Equals, by definition, the contribution of, and payments to, primary factors of production (labor, capital and land).

Variable levy. Variable import charge that brings the import price of a good into line with or above a decreed internal price to protect domestic production from import competition. Given the decreed internal price, the levy will vary inversely with the world price.

Voluntary export restraint. Informal agreement between an exporter and an importer, whereby the former agrees to limit exports of a specified good to avoid dislocation of the industry in, and possible imposition of mandatory restrictions by, the importing country. The restraint agreement may be concluded at either industry or government level. In the latter case, sometimes referred to as an orderly marketing arrangement.

Voluntary restraint agreement. See *voluntary export restraint*.

W

Waiver. Authorized deviation from a previously undertaken and legally binding obligation. Can be sought by WTO members through invocation of Art. IX WTO. Conditions under which waivers are granted are generally negotiated and limited in time.

Welfare. Welfare is the “enjoyment” that consumers are inferred to gain from their consumption. While welfare cannot be measured directly, economists often use a measure of real income or purchasing power as a way of measuring welfare in money terms.

WITS. World Integrated Trade Solutions—database and software package developed by UNCTAD and World Bank to allow analysis of market access conditions and the impact of their own and partner country liberalization.